

Activity 7. Set Goals

"You cannot manage what you cannot measure And what gets measured gets done" William Hewlett, co-founder, Hewlett Packard

Introduction

Setting goals is a separate, although systemic, activity in the TSMP. Setting goals is highly interactive with setting objectives and receives inputs from that activity as well as other preceding activities, notably gathering intelligence and information and doing situational analyses. In football and other competitive sports, including business, the primary "game objective" is to defeat the other team. The evolving "game goal" is to score at least one more point than the opposition. As football coaches and managers endeavor to make the aims of the organization increasingly operative, specific goals flow from general objectives. Goals are closely interrelated with developing, evaluating and choosing short term plans, tactics and monitoring plays and players' performances on the football field and in corporate offices. Every approved goal or set of goals becomes standard(s) by which to guide and assess the dynamic activities of the TSMP. At some point(s) in the process, the results of strategic and tactical choices should be measured against organizational goals.

Like objectives, goals have various orientations. Studies of organizations have found that the most frequent orientations in corporations are: profitability, business growth, market share, social responsibility, employee welfare, product quality and service, research and development, diversification and efficiency. In one study, each of the eight most frequent orientations were used by 50 percent or more of the respondents. Y. K. Shetty, "New Look at Corporate goals", *California Management Review*, 12, Winter 1989, p. 73 While generic value-orientations are very useful, e.g., revenue targets, debt levels, productivity measures and market performance, every organization has its own unique set of goal orientations. These goals reflect the purpose, evolving environment and situation of the organization, its management and personnel, other resources and other influencing factors.

In contemporary organizations, management uses goals as criteria for planning, organizing, measuring, controlling and directing strategic activities. Goals provide quantified standards or benchmarks of desirable performance for defined units, groups or individuals during specified periods. Goals are used analytically for measuring actual performance and then comparing it with measures of desired performance to determine their congruency or discrepancy. After making such comparisons, managers often need to undertake related evaluative activities, e.g., a review of external and internal environmental conditions, a re-evaluation of desired performance, examination of actual performance, the performance measurements and the process of measuring performance.

Because goals involve measurability and a greater degree of specificity than setting objectives, more precision is required to formulate and evaluate goals. To be quantified, goals require considerable inputs of information, thorough evaluation and well-defined, justified and substantive projections of future aims, strategies, tactics,

programs, activities and resource allocations. Goals are commonly used as *performance measures* or the bases for measuring progress toward achieving organizational objectives and purposes.

Uses of goals

Goals provide *performance targets* for the organization and its functional units. The finance department sets goals such as liquidity and profit levels, return on investment or shareholder value. Marketing managers set sales targets, rates of audience reach and penetration and costs of distribution. Production personnel strive to achieve low reject rates and low cost per unit targets. In collaboration with unions and their personnel, human resources managers set turnover rates, compensation levels and health and safety measures that employees strive to attain. Virtually every kind of performance has targets which can be set out as goals to achieve and/or measures of the performance.

Goals are commonly used to measure outputs, productivity and outcomes. *Output measures* quantify how much product or service is being produced relative to their *inputs*. Outputs and inputs are used to measure *efficiency* and may use a simple formula such as:

$$\text{efficiency} = \frac{\text{outputs}}{\text{inputs}}$$

If the Alpha Company had profits of \$1,000,000 on invested capital of \$5,000,000, its efficiency ratio would be 1:5 or 20 percent, relatively high by most objective measures of business performance.

Productivity measures economy by quantifying the benefits and costs of the resources being allocated by the organization. *Outcome measures* are standards used to determine how acceptable or unacceptable is the performance of a specified set of activities in a specified organizational unit during a specified period. *Effectiveness* may be measured with another basic formula:

$$\text{effectiveness} = \frac{\text{outputs}}{\text{inputs}} \times \text{acceptance (percentage)}$$

Acceptance measures include sales levels, market share, inventory levels, customer complaints, product returns, production rejects, labor grievances, government or legal actions and other indicators of acceptability/unacceptability by consumers, employees, suppliers, shareholders and other stakeholders of the organization. Some measures of effectiveness are quantifiable, e.g., sales, market share, product returns and production rates. Other indicators are difficult to quantify and measure. The image of a politician or the reputation of an organization is difficult to quantify. How do you quantify such perceptions? Surrogate measures, such as popularity, votes received or measures of service to the community, provide indications of perceptual attributes such as image and reputation. By using orders or hierarchies of value and consistent weightings, perceptual states or conditions can be ranked and/or rated, thus providing relative measures for goal setting and evaluating purposes.

Goals are used as a basis for *benchmarking*. Benchmarking involves a process of comparing the performance of an organizational unit against the performance standards of other, similar units, e.g., competing company in a specified market, against aggregates, e.g., industry averages, or against its own past performance during comparable periods of time. To set useful goals, some guidelines may be considered and applied. The following draws on Carolyn Hopper, “Setting Useful Goals”, www.mtsu.edu/~studskl/goals.html. The “editorialized” elements are:

- * be specific – goals describe what is to be accomplished with as much detail as necessary, including level(s) of performance, period(s) of time, including decision points and completion date(s), allotments of money and resources and other structural specifications
- * be measurable – goals are described in terms that can be clearly specified and evaluated;
- * be challenging – goals should “stretch” the team and require significant efforts and discipline to accomplish;
- * be realistic – goals should not be “pie in the sky” but performance that can be attained realistically; and
- * be flexible – changing conditions will require emergent goals that managers and “performers” can adapt, within the “realm of reasonableness”

Ot Other prescriptions for goals include: they should be formulated with the meaningful participation of those who are expected to achieve the goals; be attainable within specified limits, notably, time and money; in print and disseminated; evaluated, reviewed and, if necessary, revised periodically; and be related to rewards.

As with all the Activities in the TSMP, words of caution are advisable. One of the recurrent warnings about goal-setting is that they should be performance-based not outcome-based. The latter may be influenced by forces and conditions beyond the control of the individual, group, unit or organization for which the goals are set. Goals should be directly related to performance. Mind Tools, “Where Goals Setting Can Go Wrong”, www.mindtools.com/pggoalwr.html. Goals can be set unrealistically high and unreachable. Such goals negate optimal achievement and often result in undesirable results. Conversely, goals may be set too low with the consequences being under-performance. Managers must try the “Goldilocks principle”: not too high, not too low; just right to be challenging and achievable. Some goals are stated in vague terms which make performance difficult or impossible to measure, thus negating appropriate efforts and results. Goal setting can be haphazard, unsystematic, sporadic and disorganized with the consequences being that performance is undermined, measures lack precision and meaning and results are not achieved. In the same vein, goals may not be prioritized resulting in the feeling of overload, lack of clear precedence and importance and unsatisfactory performance. *Ibid.* When goal setting goes wrong, not only are the benefits of this Activity lost, but the entire sub-process suffers and the TSMP is questioned. Like a chain, the TSMP is only as strong as its weakest link.

How to set goals

There are many ways to set goals. They range from a simple approach, such as

identifying what needs to be achieved during a specified period of time, to much more complicated personal processes. One such process involves 12 steps and is available through www.success77.com/Goal_Setting/goal_setting.html . In the context of the TSMP, the following sub-process might be useful:

1. based on the objectives that have been set, the forecasts and scenarios prepared, the situational diagnosis and prognosis, the intelligence and information available, due consideration of the policies and purposes of the organization and what would be desirable to achieve during specified periods in the future, state a set measurable performance targets. Goals must be values-based;
2. setting such targets may be difficult and require a process involving various participants with talents ranging from being creative and eclectic to rational and structured. Brainstorming, projective techniques, role playing and other techniques are useful in developing positive aspirations. Budgetting will provide major constraints and harsh realities to such creativity.
3. determine the constraints of time as well as money and other resources;
4. set priorities in a hierarchy with benchmarks or milestones set as indicators of progress (or the lack thereof). Setting sub-goals for shorter periods are often more achievable, enhance performance and success;
5. gain commitment, often through participation/involvement, develop a support system and announce “payoffs” for levels of achievement; and
6. be prepared to modify the goals selectively based on evolving realities and aspirations.

The setting of objectives and goals crystallizes and completes the Orientation Stage of the TSMP. They are the primary outputs of this stage and become vital inputs into the subsequent stages of development, review, implementation and adaptation. More specifically, the objectives orient the strategic stream of the TSMP, directly setting the aims for long range plans and strategies. The organization’s goals will set the aims for short term and business plans and tactics. By this point in the process, the strategies, tactics, related programs, activities and resource allocations should have a clear orientation with well investigated, evaluated, justified and articulated aims. Next, managers must use such orientations as bases and inputs into the development of plans, strategies, tactics and budgets.